

**STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2018-202-E**

IN THE MATTER OF:

Petition of Duke Energy Carolinas, LLC and)	
Duke Energy Progress, LLC for Approval of)	
CPRE Queue Number Proposal, Limited)	REPLY COMMENTS OF DUKE
Waiver of Generator Interconnection)	ENERGY CAROLINAS, LLC AND
Procedures, and Request for Expedited)	DUKE ENERGY PROGRESS, LLC
Review)	

Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (collectively, the “Companies”) respectfully file these Reply Comments with the Public Service Commission of South Carolina (“Commission”) in response to the September 21, 2018 position statement filed by the South Carolina Office of Regulatory Staff (“ORS”) (“ORS Position Statement”), as well as the joint comments filed by the South Carolina Solar Business Alliance (“SCSBA”) and Ecoplexus, Inc. (“Ecoplexus”) on September 27, 2018 (“Joint SCSBA/Ecoplexus Comments”), and the comments included in First Solar, Inc.’s (“First Solar”) August 29, 2018 Petition to Intervene¹ (collectively, the “Commenting Parties”). As further addressed in these Reply Comments, the Companies respectfully request a final Commission decision ruling on the Companies’ Petition for Approval of CPRE Queue Number Proposal, Limited Waiver of Generator Interconnection Procedures and Request for Expedited Review (the “Petition”) on or before October 31, 2018.

¹ First Solar also filed additional comments to the Commission by letter dated October 10, 2018.

BACKGROUND

The Companies filed the Petition on June 19, 2018. On August 22, 2018, the Commission issued Order No. 2018-580, allowing ORS and other parties additional time to review the Petition and to submit discovery regarding the Petition and the Competitive Procurement of Renewable Energy Program (“CPRE” or “CPRE Program”). Since that time, the Companies have worked diligently to provide the ORS and other parties with additional information regarding the Companies’ Petition and the CPRE Program. On July 25, 2018, the Companies hosted a stakeholder meeting and teleconference attended by over fifty interested parties to discuss the relief requested in the Petition. The Companies also worked with the CPRE Program Independent Administrator, Accion, Inc., (“IA”) to provide written responses to numerous questions raised by market participants and stakeholders during the meeting. The Companies have also responded to extensive discovery from ORS and other parties on the Petition and CPRE Queue Number grouping study process.

In a continuing effort to provide transparency to the Commission and the parties in this proceeding, the Companies filed an initial letter response on October 2, 2018, identifying the Companies’ intent to file these Reply Comments on or before today, October 12, 2018. The Companies’ initial response also notified the Commission of the Companies’ intent to establish CPRE Queue Numbers for DEC and DEP as of the Tranche 1 request for proposal (“RFP”) solicitation proposal due date, October 9, 2018, for interested North Carolina and South Carolina solar generating facility Interconnection Customers (“NC Solar Generators” and “SC Solar Generators,” respectively) to bid into the CPRE Program, pending a final decision by the Commission. The Companies also committed to provide an update on the North Carolina Utilities Commission’s (“NCUC”) scheduled oral argument on the “CPRE Grouping Study”

provisions proposed to be added to the North Carolina Interconnection Procedures (“NC Procedures”), as requested by the ORS in its Position Statement.²

On October 9, 2018, the CPRE Tranche 1 RFP solicitation period closed and the IA received bids from numerous interested North Carolina and South Carolina renewable energy facilities desiring to compete in the CPRE RFP. The Companies also established CPRE Queue Numbers open to both NC Solar Generators and SC Solar Generators in each of their respective territories on that date.

Pursuant to the CPRE Program evaluation process established by the NCUC’s CPRE Program Rule,³ the IA is currently in the process of completing the Step 1 evaluation process, where the IA independently evaluates and ranks bids based on price and other factors, and then provides the most competitively ranked bids—known as the “Competitive Tier”—to the Companies’ T&D (transmission and distribution) Evaluation Sub-Team to complete the “Step 2” grid upgrades evaluation under the IA’s oversight, as provided for in the CPRE Rule.⁴ The Step 1 evaluation process is currently scheduled to be completed on December 3, 2018, with Step 2 to be completed and final bids notified whether they are selected on March 25, 2019.⁵

On October 5, 2018, the NCUC also issued its *Order Approving Interim Modifications to North Carolina Interconnection Procedures for Tranche 1 of CPRE RFP* (“NCUC CPRE Grouping Study Order”),⁶ approving the Companies’ proposal (which was supported by the NCUC Public Staff with limited modifications) to implement the grouping study for purposes of

² ORS Position Statement at 3.

³ NCUC Rule R8-71(f)(3).

⁴ NCUC Rule R8-71(f)(3)(iii).

⁵ Additional information on the CPRE Tranche RFP schedule is available at the CPRE Program website, which is accessible at the following link: https://decprerfp2018.accionpower.com/_rfp_1801/accionhome.asp.

⁶ NCUC Docket No. E-100, Sub 101 (Oct. 5, 2018).

implementing the CPRE Program. The NCUC specifically found that “Duke’s proposal to modify the NC Interconnection Procedures to provide for a grouping study is reasonable.”⁷

REPLY COMMENTS

- I. No party expressly opposes the relief and waivers requested in the Petition, and only through granting the Companies’ request will SC Solar Generators be allowed to effectively compete in the CPRE Tranche 1 RFP with NC Solar Generators and be evaluated as part of the CPRE grouping study.**

Based upon the Companies’ review of the Commenting Parties’ filings in this docket, no party expressly opposes the relief and waivers requested in the Petition. After discussing ORS’s investigation of the Petition, the ORS states that it does not oppose the Companies’ CPRE Queue Number proposal or request for limited waivers.⁸ First Solar, a sophisticated national solar developer that has “developed, financed, engineered, interconnected, constructed, and currently operates many of the world’s largest grid-connected [solar] PV power plants” states that it plans to bid into the CPRE RFP and “fully supports” approval of the Companies’ Petition.⁹ First Solar also emphasizes that granting the Petition “would benefit not only South Carolina projects but the CPRE process more generally by allowing more participation, greater competition, and improving the efficiency with which Duke conducts the process.”¹⁰ The Joint SCSBA/ECoplexus Comments express general queue processing and fairness concerns about the Companies’ Petition, but, notably, also state that those parties “do not, in concept, oppose the idea of a limited waiver” of the South Carolina Generator Interconnection Procedures (“SCGIP”) in order to facilitate participation by SC Solar Generators in the CPRE Program.¹¹

⁷ NCUC CPRE Grouping Study Order, at 8.

⁸ ORS Position Statement at 2.

⁹ First Solar Petition to Intervene at 2, 4.

¹⁰ *Id.* at 4.

¹¹ Joint SCSBA/ECoplexus Comments at 1.

As explained in the Petition, approval of the Companies' Petition and transition to the CPRE grouping study process is necessary in order to allow SC Solar Generators to effectively compete against NC Solar Generators on equal footing in the Tranche 1 CPRE RFP process.¹² The serial process utilized under the current SCGIP would not allow DEC and DEP to efficiently identify the most cost-effective portfolio of resources, nor does it contemplate a scenario like CPRE in which the priority rights to available transmission capacity are assigned to the most cost-effective and reliable projects selected through the RFP, taking into account all earlier-queued Interconnection Requests that choose not to bid into the RFP.¹³ The Companies agree with First Solar's comments that approval of the Petition is necessary to facilitate the Companies' proper management of the large number of bids expected to be reviewed by the IA during the Step 1 evaluation process, and will better enable the Companies to efficiently study Competitive Tier proposals during the Step 2 evaluation process without impeding non-participating projects' queue rights.¹⁴

II. The Companies agree to host additional South Carolina-focused stakeholder discussions about the CPRE Program and CPRE Queue Number grouping study process after Tranche 1.

The Petition explains that the Companies plan to rely upon the CPRE Queue Number and grouping study evaluation process for each of the four planned competitive RFP solicitations to be held as part of the CPRE Program over the next approximately three years.¹⁵ The Companies specifically emphasized that this approach would better allow DEC and DEP to obtain the most cost-effective and reliable renewable generating facilities for customers, whether proposed to be

¹² Petition at 9.

¹³ *Id.* at 8.

¹⁴ *Id.* at 9.

¹⁵ Petition at 4, 6. The Companies have subsequently determined that the full CPRE Program procurement may be accomplished in three RFPs versus the four initially proposed.

sited in North Carolina or South Carolina.¹⁶ ORS stated that it does not oppose the Companies' establishment of separate queue positions for each Tranche of the CPRE Program.¹⁷ However, the Joint SCSBA/Ecoplexus Comments request the Commission limit approval of the Companies' Petition to Tranche 1 and require the Companies to implement a stakeholder process to discuss necessary changes to future CPRE tranches.¹⁸ While these parties do not expressly oppose approval of the CPRE grouping study process for Tranche 1, SCSBA and Ecoplexus suggest that the "solar industry . . . will not have a good understanding of the impacts of the [Petition] (if approved) until we go through the process" and effectively seek an opportunity to have the Commission take another look at the CPRE grouping study process prior to the Companies implementing Tranche 2 of the CPRE Program.¹⁹

The Companies do not oppose engaging in further stakeholder discussions²⁰ after Tranche 1, but do not believe the Commission should expressly limit approval to Tranche 1. The Companies agree that there will likely be "lessons learned" during the Tranche 1 CPRE implementation, and agree that additional South Carolina-focused stakeholder discussions would be appropriate immediately after Tranche 1 and before the Tranche 2 solicitation commences. To the extent that the SCSBA, Ecoplexus, the ORS, or the Companies have a specific concern with the SC CPRE grouping study process after the conclusion of Tranche 1 or the stakeholder discussions, any party could petition the Commission in this docket to initiate a new comment

¹⁶ Petition at 7.

¹⁷ ORS Position Statement at 2.

¹⁸ Joint SCSBA/Ecoplexus Comments at 1.

¹⁹ *Id.* at 2.

²⁰ With regard to SCSBA's and Ecoplexus' criticism that an interconnection stakeholder process was held in North Carolina but not held in South Carolina (SCSBA/Ecoplexus September 20, 2018 Letter at 2), the Companies would like to clarify that the North Carolina stakeholder process began well before HB 589 and the CPRE Program were even enacted into law and entailed a comprehensive review of that State's interconnection procedures. The North Carolina stakeholder process was not specific to the CPRE Program, and Ecoplexus and a number of other SCSBA members have also been active participants in the NC Procedures review process.

proceeding. However, the Companies do not support an arbitrary limitation on the Commission's decision in this instance as recommended by SCSBA and Ecoplexus.

III. The Companies commit to the reporting requirements recommended by ORS.

The ORS recommends the Companies update and file reports with the Commission and ORS similar to those reports required by the NCUC and Public Staff in the CPRE Program Docket Nos. E-2, Sub 1159 and E-7, Sub 1156, and the North Carolina Interconnection Procedures Docket No. E-100, Sub 101.²¹ In North Carolina, the Companies agreed to identify all project proposals accepted into each CPRE tranche and the corresponding CPRE Queue Number in each queue report filed with the NCUC. The Companies also agreed to identify what projects are selected as a bid winners, and to note the applicable Tranche the bid is selected in. The Companies agree that these limited, additional reporting requirements are reasonable to promote transparency, and support the ORS's recommendation to report this same information to the ORS and the Commission. Therefore, the Companies commit to incorporate this information in their queue reports filed with the Commission identifying projects that bid into each CPRE Tranche under the respective CPRE Queue Number, as well as identifying winning proposals selected for interconnection through each particular CPRE Tranche, and further submit that these additional reporting requirements suffice as to those requested by SCSBA and Ecoplexus.

IV. The CPRE Program is designed to be, and will be, implemented on a reasonable and non-discriminatory basis.

SCSBA and Ecoplexus state that the Commission and all interconnection customers should have a clear understanding of how the CPRE grouping study will work.²² SCSBA and Ecoplexus also express several concerns that the CPRE grouping study process "will negatively

²¹ ORS Position Statement at 6.

²² See generally Joint SCSBA/Ecoplexus Comments at 2.

impact existing non-CPRE projects.”²³ These Commenting Parties seek to paint the picture that the process is designed to advantage CPRE-participating projects and to disadvantage CPRE non-participating projects.

The Companies agree with SCSBA and Ecoplexus that the Commission and market participants should have a clear understanding of how the CPRE grouping study will work. The Companies believe the Petition reasonably explains how the CPRE Queue Number will be established and how the CPRE Step 2 grouping study evaluation will work under the NCUC’s CPRE Rule. Additionally, on September 27, 2018 (the same day SCSBA and Ecoplexus filed their joint comments), the Companies timely answered over 17 interrogatories propounded by SCSBA and Ecoplexus, providing additional detail on numerous aspects of the grouping study process.²⁴ As recognized by the ORS, Interconnection Customers that voluntarily agree to participate in the CPRE Program will be subject to the rules, regulations, and fees of the NCUC related to the administration of the CPRE Program.²⁵ These Interconnection Customers will be voluntarily electing to compete in the CPRE Program RFP on equal footing with North Carolina Interconnection Customers, and are agreeing that if they are not selected by the IA through the CPRE grouping study process then their Queue Position priority will thereafter be subordinate to the projects selected by the IA through the CPRE RFP as well as other earlier queued Interconnection Customers that elect not to bid into the CPRE RFP Program.²⁶ As discussed in the Petition, this approach will allow the Companies to more efficiently evaluate the transmission

²³ *Id.* at 4.

²⁴ The Companies’ interrogatory responses and objections were timely produced to SCSBA/Ecoplexus on September 27, 2018, and the Companies have not received any subsequent requests from these Commenting Parties for additional information.

²⁵ ORS Position Statement at 3.

²⁶ Petition at 12, fn. 16.

system upgrades of proposals determined to be most cost competitive, without impeding non-participating Interconnection Customers' Queue Position rights.²⁷

The Companies strongly disagree with SCSBA's and Ecoplexus's unsubstantiated allegations of potential discrimination. To the contrary, the Companies, with input from interested parties, have designed the CPRE Queue Number grouping study process to preserve non-CPRE projects' queue rights while simultaneously processing CPRE projects in an efficient and non-discriminatory manner that supports the unique RFP procurement process established under the CPRE Program. Much of the Companies' interconnection processing challenges mentioned by SCSBA and Ecoplexus stem from managing the significant volumes of utility-scale solar projects requesting to interconnect to the Companies' distribution system. As of October 2018, approximately 220 Interconnection Customers above 1 MW have requested to interconnect to the Companies' respective distribution systems. These significant volumes, along with the interdependency provisions under the South Carolina Generator Interconnection Supplemental Memorandum of Understanding ("SCGIP Supplemental MOU")²⁸, have admittedly resulted in queue processing delays.²⁹ However, the Companies' ongoing efforts to study Interconnection Customers through the distribution-level study process should not be impacted by the CPRE grouping study. This is because the CPRE Program focuses on procuring the least-cost renewable resource up to 80 MW, the largest capacity of a qualifying facility

²⁷ *Id.* at 10.

²⁸ *Order Adopting Interconnection Standard and Supplemental Provisions*, at Order Exhibit 2: Memorandum of Understanding Between Duke Energy Carolinas, LLC, Duke Energy Progress, LLC, South Carolina Office of Regulatory Staff and South Carolina Solar Business Alliance, Docket No. 2015-362-E (April, 26 2016).

²⁹ The Companies disagree with the allegations of SCSBA and Ecoplexus that they have failed to meet their regulatory obligations under the SCGIP. As discussed herein, the Companies are uniquely managing unprecedented numbers of distribution-interconnected Interconnection Requests from QFs. DEC and DEP have, and will continue, to use reasonable efforts, as required by the SCGIP, to study these Interconnection Customers within the time frames provided for in the procedures.

(“QF”) under FERC’s regulations.³⁰ As a result, the most cost-effective projects bidding into the CPRE Program are anticipated to interconnect to the utility’s transmission system.³¹ This means that it is highly unlikely that projects interconnecting at the distribution level will be identified by the IA as Competitive Tier projects to be studied through the CPRE grouping study process. This fact is significant because transmission and distribution System Impact Studies are completed by different engineers within different departments of the Companies, meaning that only minimal distribution study resources are likely to be assigned to the evaluation of CPRE winning bids. Therefore, the Companies believe that South Carolina Interconnection Customers requesting interconnection to the Companies’ distribution system will experience minimal, if any, CPRE-related impacts. Moreover, Commission approval of the Petition should also have zero impact on the Companies’ retail customers looking to install solar or other smaller generating facilities at their home or businesses.

The Companies also specifically reject SCSBA/Ecoplexus’s arguments that the Companies are incentivized to prefer studying CPRE projects over non-CPRE projects.³² While it is true that Duke-sponsored proposals can bid into the CPRE Program³³, they would only be studied in the Step 2 evaluation process if they are independently determined by the IA to be part of the Competitive Tier portfolio of projects that provide the most value to the Companies’ customers. The CPRE grouping study process is also specifically designed to promote efficiency in the evaluation process and reduce overall delays (including the need for potential restudies) in both the CPRE RFP process as well as in processing the overall transmission queue. Furthermore, the CPRE Queue Number and grouping study process do not allow CPRE projects

³⁰ 18 C.F.R. § 292.204(a).

³¹ Petition at 9.

³² SCSBA/Ecoplexus Comments at 1, 3.

³³ SCSBA/Ecoplexus do appropriately recognize that the Companies are capped at competing for only 30% of the available CPRE Program capacity.

to “jump the queue” as alleged by SCSBA/Ecoplexus. To the contrary, CPRE projects must join the CPRE Queue Number which was established October 9, 2018, and then be evaluated, if selected as part of the Competitive Tier, as part of the grouping study.

The Companies also disagree with SCSBA/Ecoplexus that studying Competitive Tier projects in the CPRE Program concurrently with non-CPRE projects would disadvantage Interconnection Customers that elect not to participate in the CPRE Program.³⁴ The CPRE Queue Number—which is not a single Generating Facility with a single point of interconnection and single impact to the grid—requires a different type of study evaluation than the serial process for non-participating Interconnection Customers. Thus, the normal serial evaluation and interdependency queueing process is not workable for the CPRE Queue Number. For this reason, the Companies have designed the CPRE grouping study for CPRE projects and have committed to continue studying non-CPRE transmission interconnection projects concurrently with the CPRE Queue Number evaluation. This approach reasonably balances the interests of transmission-level Interconnection Customers and, as noted above, distribution-level Interconnection Customers should not be impacted by the CRPE grouping study evaluation.

V. The Companies commit to take adequate measures to continue to study CPRE non-participating projects under the SC GIP

The ORS also recommends the Companies take “adequate measures” to ensure non-participants are not negatively impacted by the CPRE Program, and further states that “[a] non-bidding interconnection requests should be processed and studied according to the timelines required by the SCGIP and should not be delayed or disadvantaged in any way by the concurrent processing of interconnection requests in the CPRE Program.”³⁵ Similarly, SCSBA/Ecoplexus request the Commission clarify the Companies’ obligation to preserve queue priority order of

³⁴ SCSBA/Ecoplexus Comments at 4.

³⁵ ORS Position Statement at 1.

non-CPRE projects “not only for cost allocation, but for purposes of allocating study resources.”³⁶

As discussed above, the Companies commit to continuing to study non-CPRE transmission interconnection customers in Queue Priority order concurrently within the CPRE Queue Number grouping study evaluation process. Undeniably, some transmission planning and other engineering resources will need to be allocated to the T&D Evaluation Team to complete the Step 2 evaluation process. This makes sense, given that those projects being studied under the CPRE Step 2 evaluation process are “existing” Interconnection Customers that have moved from their existing queue position to the CPRE Queue Number queue position in order to participate in the RFP. In fact, SCSBA and Ecoplexus acknowledge that dedicating some resources to study CPRE projects is reasonable.³⁷ Resources will continue to be dedicated to studying those transmission Interconnection Requests that remain as non-CPRE projects, and at no time will these resources be completely diverted from the current queue to favor CPRE projects. The Companies also commit that any distribution system engineering resources that are required to study the CPRE Competitive Tier projects will not reduce the level of resources committed under the SCGIP Supplemental MOU. Additionally, if the Companies determine increased study resources are needed to implement the CPRE Program, the Companies commit to hire *additional* resources, as opposed to a re-allocating resources from ongoing study work in South Carolina. In sum, the Companies are committed to continuing to taking adequate measures to ensure non-participants are not negatively impacted by the CPRE Grouping Study.

VI. ORS’s statement on recovery of CPRE Program costs does not take into account that the total cost of projects selected must be below avoided cost, and the Commission should approve the methodology and allocation of the recovery of

³⁶ Joint SCSBA/Ecoplexus Comments at 4.

³⁷ *Id.* at 6, fn 1.

Upgrade costs in order to continue to put downward pressure on rates, with such recovery to occur in a future base rate case.

ORS's Position Statement raises a new issue that was not originally raised in the Companies' Petition that relates to the Companies' planned recovery of certain CPRE Program-related costs. Specifically, ORS recommends that "South Carolina rate-payers should not be allocated the additional costs incurred by the Companies to administer the CPRE Program including costs such as network upgrade costs that may be socialized as required or negotiated under the CPRE process."³⁸ ORS supports this view by citing to the "but for" principle under PURPA³⁹ and asserting that "only costs for the purchase energy and/or capacity at or below the Companies' avoided costs are allowed for cost recovery."⁴⁰

In response, the Companies first want to make clear that South Carolina rate-payers will not be responsible for any costs "to administer the CPRE Program." All CPRE Program administrative costs incurred to manage the competitive bidding process, including costs associated with the IA or the Companies' cost of managing the RFP solicitation process will be recovered entirely through "Proposal Fees" and "Winning Bidder Fees" collected from market participants and required for participation in the CPRE Program.⁴¹

The Companies are concerned by ORS's preemptive statement that "South Carolina rate-payers should not be allocated . . . network upgrade costs that may be socialized as required or negotiated under the CPRE process" By this statement the Companies believe the ORS is referring to the Companies' planned approach to recover costs associated with network upgrades

³⁸ ORS Position Statement at 3.

³⁹ 16 U.S.C. § 824a-3(h)(2) (2006).

⁴⁰ ORS Position Statement at 3.

⁴¹ Recovery of CPRE RFP administration costs in this manner is required by the NCUC's CPRE Rule. *See* NCUC Rule R8-71(d)(10).

required to safely and reliably interconnect SC Solar Generators and NC Solar Generators selected through the RFP process in a future base rate case.

As background, the CPRE Program requires proposals bidding into the CPRE RFP solicitation to include only the cost of the Generating Facility and its required Interconnection Facilities.⁴² Pursuant to the RFP, proposals are required to exclude any potential Upgrade⁴³ costs. Any Upgrades required to safely and reliably interconnect a CPRE proposal will be identified in the CPRE Grouping Study process. If the most cost effective portfolio of projects proposals selected by the IA require Upgrades to interconnect the new generating facilities, then those Upgrade costs would be separately funded by DEC or DEP and the Companies would then petition the Commission to recover the Upgrade costs through a future general rate case proceeding.

The Companies recognize that separately recovering Upgrade costs is distinct from the well-established approach to assigning all interconnection costs, including grid upgrades, to qualifying facilities under PURPA. However, the Companies designed the CPRE Program in this manner – separating Upgrade costs from the bid price – to reduce the overall cost of competitively procuring new renewable energy resources under the CPRE Program. By excluding Upgrades from the proposal price, market participants no longer need to inflate their proposal price in order to mitigate the risk of unknown and potentially-costly Upgrades, which may or may not even be necessary to safely and reliably interconnect the generating facility. This approach should result in market participants' bidding lower proposal prices, which in turn

⁴² The SCGIP defines Interconnection Facilities to include “. . . all facilities and equipment between the Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Utility's System. Interconnection Facilities are sole use facilities and shall not include Upgrades.”

⁴³ The SCGIP defines Upgrades as: “The required additions and modifications to the Utility's System at or beyond the Point of Interconnection. Upgrades may be Network Upgrades or Distribution Upgrades. Upgrades do not include Interconnection Facilities.”

results in lower procurement costs for the Companies, which then also lowers customers' costs of new renewable power. Put another way, many proposals bidding into the CPRE RFP will not have completed the interconnection study process as of the proposal due date, which means market participants would be required to factor the yet-to-be quantified risk of Upgrade costs into their proposal price. Assigning this unquantified risk of Upgrades to market participants before completing the grid impact evaluation through the CPRE grouping study could unnecessarily increase the overall cost of renewable energy facilities bidding into the CPRE RFP solicitation, thereby also increasing the cost to the Companies and their customers.

To address this concern, the North Carolina Public Staff supported, and the NCUC authorized in North Carolina, a limited and unique cost recovery approach specific to the CPRE Program where the cost of Upgrades necessary to interconnect the most cost-effective portfolio of projects is separately funded by DEC or DEP, to be recovered—if they are found to be reasonable and prudently-incurred—through base rates in a future rate case proceeding.⁴⁴ The Companies support this same approach as just and reasonable in South Carolina and plan to allocate any Upgrade costs associated with the most cost-effective CPRE Program resources between North Carolina and South Carolina customers. The Companies will then petition each Commission for recovery of such costs through adjustments to base rates in future general rate case proceedings.

The ORS's concern about such costs exceeding the Companies' avoided cost of energy and capacity, while understandable, is also misplaced. The CPRE Program requires that the total cost of any project selected (including bid price and Upgrade costs) may not exceed the

⁴⁴ *Order Modifying and Approving Joint CPRE Program*, NCUC Docket Nos. E-2, Sub 1159 and E-7, Sub 1156 (Feb. 21, 2018).

Companies' avoided cost.⁴⁵ This cost cap ensures customers will pay no more under the CPRE Program for new renewable energy than they would under the traditional PURPA framework. Additionally, based on recent market data, the Companies continue to believe that CPRE projects will bid proposal prices significantly below avoided cost. Thus, the CPRE framework is purposefully designed (and statutorily required) to select only those projects whose total cost is less than what would be paid for renewable generation under PURPA. Therefore, the costs associated with those projects (both bid price and Upgrade costs) are appropriately recoverable from all South Carolina (and North Carolina) customers as most costs are today. Anything else could lead to the unjust and unreasonable result that the Company would be penalized for trying to save all customers money by competitively procuring new renewable energy resources at total costs below the utility's full avoided cost.

Importantly, the Companies also recognize and support ORS's statement at the close of its Position Statement that ORS is reserving its right to review any CPRE-related costs in the Companies' next general rate case(s) to determine, at that time, whether those costs are reasonable and should be allocated to South Carolina customers.⁴⁶ However, in order to provide some certainty with regard to these issues raised by ORS, the Companies respectfully request that the Commission make a determination in this proceeding that, given the costs to customers of new renewable generation pursuant to CPRE are designed to be as or even more cost-effective than traditional QF purchases, (a) it is appropriate for the Companies to allocate such costs any between North Carolina and South Carolina customers; (b) that the Companies may petition each Commission for recovery of such costs through adjustments to base rates in future general rate case proceedings; and (c) that the limited and unique cost recovery approach specific to the

⁴⁵ See N.C. Gen. Stat. § 62-110.8(b)(2).

⁴⁶ ORS Position Statement at 3.

CPRE Program is in the public interest recognizing that this approach to competitively procuring new renewable energy resources through an independently-administered RFP process and separately recovering Upgrade costs is designed to reduce overall procurement costs for customers. Adopting the methodology is not a pre-approval of costs per se, because the Companies will need to demonstrate the reasonableness and prudence of the costs incurred when filed with the Commission in a future rate case.

REQUEST FOR COMMISSION ORDER BY DATE CERTAIN

As highlighted in the Companies' prior letter to the Commission, the CPRE Queue Number has been established, all proposals have now been submitted and the CPRE evaluation process is now underway. Accordingly, the Companies respectfully request the Commission issue an Order on the Petition on or before October 31, 2018 in order to allow the Companies sufficient time to establish the methodology by which all SC Solar Generator and NC Solar Generator Competitive Tier proposals will be considered in the Step 2 grid upgrades evaluation process.

CONCLUSION

WHEREFORE, based on the foregoing and the information presented in the Petition, Duke Energy Carolinas, LLC and Duke Energy Progress, LLC respectfully request that the Commission:

- (1) Approve the Companies' proposal to use CPRE Queue Numbers to process Interconnection Requests of SC Solar Generators that elect to participate in the CPRE Program as set forth in the Petition;

- (2) Grant the Companies limited waiver from Sections 1.6, 3, 4.2, and 4.3 of the South Carolina Generator Interconnection Procedures, Forms and Agreements and of the System Impact Study Agreement as discussed in the Petition;
- (3) Approve the cost recovery methodology for Upgrade costs associated with the most cost-effective CPRE Program resources described herein, namely (a) that it is appropriate for the Companies to allocate such costs any between North Carolina and South Carolina customers; (b) that the Companies may petition each Commission for recovery of such costs through adjustments to base rates in future general rate case proceedings; and (c) that the limited and unique cost recovery approach specific to the CPRE Program is in the public interest recognizing that this approach to competitively procuring new renewable energy resources through an independently-administered RFP process and separately recovering Upgrade costs is designed to reduce overall procurement costs for customers;
- (4) Issue a decision on these matters no later than October 31, 2018; and
- (5) Grant any other relief that the Commission deems appropriate.

Respectfully submitted, this 12th day of October, 2018.



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